

## CASH WAQF AS THE ISLAMIC FINANCIAL INSTRUMENT FOR SUSTAINABLE SOCIETY DEVELOPMENT

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**ABSTRACT** - The purpose of this study is to explore the Cash Waqf potency in Indonesia to beneficiaries and how it affects long-term social development. Indonesia has significant potential for waqf granted by the waqif, as well as cash waqf. However, most Indonesians' concept of waqf is still restricted to land wakf, mosques, educational facilities, and so on. This study draws on secondary data sources pertaining to the influence of Cash Waqf on societal welfare and development produced by many experts and drawn from diverse works of literature. The research discussion is descriptive in nature. The study's goal is to learn about the multiplier management of cash waqf in Indonesia and its impact on long-term social development. It demonstrates how, through the multiplier impact of cash waqf, CWs can affect societal development in economics, commerce, and social sectors such as education and health care. CWs are also integrated with the Sustainable Development Goals (SDGs).

**Keywords:** Cash Waqf, Sustainable Society Development, Waqf Indonesia Board (BWI).

**ABSTRAK** – Tujuan dari penelitian ini adalah untuk mengeksplorasi potensi Wakaf Tunai di Indonesia bagi para penerima manfaatnya dan bagaimana dampaknya terhadap pembangunan sosial jangka panjang. Indonesia memiliki potensi yang signifikan untuk wakaf yang disediakan oleh wakif, serta wakaf uang. Namun, konsep wakaf bagi sebagian besar orang Indonesia masih terbatas pada wakaf tanah, masjid, fasilitas pendidikan, dan sebagainya. Penelitian ini mengacu pada sumber data sekunder terkait dampak Wakaf Tunai terhadap kesejahteraan dan pembangunan masyarakat yang dihasilkan oleh banyak ahli dan diambil dari berbagai literatur. Pembahasan penelitian bersifat deskriptif. Tujuan dari penelitian ini adalah untuk mempelajari tentang pengelolaan pengganda wakaf tunai di Indonesia dan dampaknya terhadap pembangunan sosial jangka panjang. Ini menunjukkan bagaimana, melalui efek pengganda wakaf tunai, CW dapat memengaruhi pembangunan masyarakat di sektor ekonomi, perdagangan, dan sosial seperti pendidikan dan perawatan kesehatan. CW juga terintegrasi dengan Tujuan Pembangunan Berkelanjutan (SDGs).

**Kata Kunci:** Wakaf Tunai, Pembangunan Masyarakat Berkelanjutan, Badan Wakaf Indonesia (BWI).

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## INTRODUCTION

Currently, there have been significant changes to the understanding of waqf empowerment in the community's perspective, initially the practice of waqf mostly utilized and developed in purpose of religious, educational, health facilities, and other social benefits. The knowledge and empowerment of waqf property becomes an important object, especially if it is associated with the concept of productive waqf development which is purposed to empowering social interests (Rianto & Arif, 2012).

However, productive Waqf has two visions at once: first, destroying unequal social structures and providing fertile ground for the welfare of society. This vision is directly reached when totality is devoted to productive waqf forms which are then continued with effective way that led to these achievements. The effective way as a derivation of the philosophy of productive waqfs, requires more technical efforts to implement productive waqfs (Rianto & Arif, 2012).

Even productive waqf can be utilized as a sustainable fund for people which can provide the benefits in purpose of society empowerment. This matter will be appropriate if related to the number population of Muslim in Indonesia because Indonesia has a largest number population of Muslim (Medias, 2010).

According to the results of the population census 2019, Indonesia is a Muslim majority country with the total number population up to 87.17% and placed in the 4th position in the world (Kusnandar, 2019). Muslim religiosity in Indonesia is also quite good and increased. In this case, the number of Muslims and their increment religiosity must have a positive correlation and effect on the issue of waqf in Indonesia especially in cash waqf (Akhsan & Syahputra, 2010).

The potential of waqf is also owned by Indonesia. According to data from the Board of Waqf Indonesia (BWI) the potential for waqf in Indonesia is so enormous. Its assets are quite large which is estimated to reach Rp. 2000 trillion per year and so waqf land area reaching 420,000 ha (BWI, 2019).

The application of cash waqfs that included as a form of productive waqfs today will have greater potential and superiority than traditional waqfs. While cash waqfs can be made by whoever, even if they are not rich. Due to its flexibility in minimum amount of contribution, cash waqf has opened the

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doors to more Muslims with no fixed assets to also make their own waqf contribution for the betterment of the society. Someone can represent money of Rp. 100,000 or even lesser (Mustofa & Hasanah, 2006). Based on Nafis' assumption, if 20 million Muslims of Indonesia wish to contribute cash waqfs about 100,000 IDR per month, then the funds shall be collected in a year about 24 trillion IDR (Nafis, 2012). But, from the BWI's assumption and explanation, the potency of cash waqf in Indonesia could penetrate to 188 trillion IDR per-year but only 400 Billion IDR had been realized (BWI, 2019).

Now, cash waqfs has become a national legal provision and important issue in Indonesia in maximizing the function of Waqfs and has also become a national motion for supporting the Government's effort to empowering the society and its development (Pranata et al., 2025). Therefore, in the light of this issue, the objective of this thesis is to look into to Badan Wakaf Indonesia as the legal and independent institution that controls the waqf in general and cash waqf especially as the Islamic Financial instrument for society development.

## LITERATURE REVIEW

To support the research that shall be conducted by the writer, he takes and uses some previous references for the background of the writing that will be a further discoursed. There are many of writing on the issue of the cash waqf according to the Muslim scholars who focused on various aspects and usages of cash waqf for socio-economic development. In the course of completing this research, a several sample that have been researched before will be used to support this research and also will represent an analytical study on few Islamic literatures.

Firman Muntaqo (2015). Problems and Prospects of Productive Waqf in Indonesia in this research aim is to describe and analyze the problems and prospects of endowment in Indonesia, which has a main relation to the enactment of Law No. 40 of 2004 on waqf. An analysis of problem focused on management of waqf properties by waqf instituion that are still traditional and far from productive orientation. The problem on waqf management are triggered by several things, such as: Lack of socialization on fiqh waqf and regulations about waqf from the state; not seriously management of waqf, the

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issue of nadzir commitment, weak institutional monitoring system, and problems of funding. The research methodology approach is using qualitative descriptive approach with content analysis to know the result or conclusion of research that had been obtained by deep interview to the significant respondent. This research consent is to find out the significance of waqf based on positive law in Indonesia namely Law No. 40 of 2004.

My study will be discussing the same object is waqf but in term of cash waqf which has an enormous potential in Indonesia, and how is BWI such a Board of Waqf Indonesia to manage this potential to have a cash waqf more than expected and become the sustainable fund to the empowerment of society. The research methodology using qualitative descriptive with the content analysis to describe the data obtained by deep interview, document of data and survey.

Muhammad Nur Rianto Al Arif (2012), Cash Waqf and its Effect toward the Poverty Alleviation Program in Indonesia. This paper discusses the role of cash waqf in alleviating poverty which recently has become government program. It observes how the income of the cash waqf is distributed and how it gives and impact on poverty alleviation in Indonesia. The research method is deploying bibliographical and empirical investigation, this paper argues that the cash waqf has significant role in financial empowerment of the society.

The paper that should be discussed later is has no significant different but the research study should be deployed is exactly different. The purpose of the study is not only to know how the cash waqf has an impact to the poverty alleviation but, in this research should find out the background of BWI's management to obtain the cash waqf.

## METHODOLOGY

This study focusses on CW as the Financial Instrument for Sustainable Social Development in Indonesia this is descriptive analysis, sources of data in this study are references related to the Cash Waqf concept in developing society written by various experts through literature studies from waqf act, regulation, by minister of religious affairs, journals and other publications. This study will apply content analysis to identify the strategy of BWI's in managing cash waqf and its role to the Sustainable Society Development. This study to seek for any factual data and other beneficial information from BWI. In this study

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would recognize and discover matter regarding BWI as board with its authorization in establishing waqf regulation.

## RESULT AND DISCUSSION

### *Waqf* Definition

Generally, there is no a specific Qur’anic verse describing the concept of Waqf. The endowments can be included as *infāq fī sabīlillāh*, then the basis used by the scholars in describing and explaining the Waqf concept is based on the announcement of the verse of the Qur’an that explain about *infāq fī sabīlillāh* (Sukarmi & Victoria, 2018). Among the verse is in surah Al Baqarah: 267 and Hadith narrated by Muslim from Ibn ‘Umar:

*“That Umar ibn al Khattab r.a. acquiring land in Khaybar, then he came to the Prophet Muhammad (PBUH) to ask for guidance on the land. He said, “Yaa Rasulullah, I have acquired land in Khaybar that i have never acquired a better treasure for me than the land, what do you command me about it? The Prophet (PBUH) replied: “if you want, you hold the point of your land and you make the result of it. Ibn ‘Umar said, “so, Umar donates the land, requiring that the land is not sold, not given nor inherited. He provided the result of the land to the Fuqara, relatives, Riqaaabs, Sabilillah, ibnu sabil, and guest. It is innocent of the people who manage it to eat from the produce in ma’ruf and feed others”.*

Most of Islamic Jurists such Maliki, Shafi’e and Hanbali regarded cash waqf as a movable object that is valid to be given as waqf asset due to waqf may able to produce and generate profit. Most of important requirement on their light is the original capital of cash waqf should not diminish due to consumption and should be renewable proudly by its usufruct (Çizakça, n.d.)

Majelis Ulama of Indonesia (MUI) is also allowing the cash Waqf as kind of waqf. MUI’s Fatwa was issued on May 11, 2002. At that time MUI’s fatwa Commissions also formulated the definition of Waqf, namely (MUI, 2002):

*“Pressing treasures that can be utilized without the vanishing of his or her sources. Through not doing any illegal action against the object (selling, giving or passing it), to be channeled (the result) to something legal existing”*

Regarding with the waqf of money, in its consideration, The Commission of Fatwa Indonesia (MUI) referred too few of scholars’ viewpoint against the permissible of cash waqf, namely (MUI, 2002);

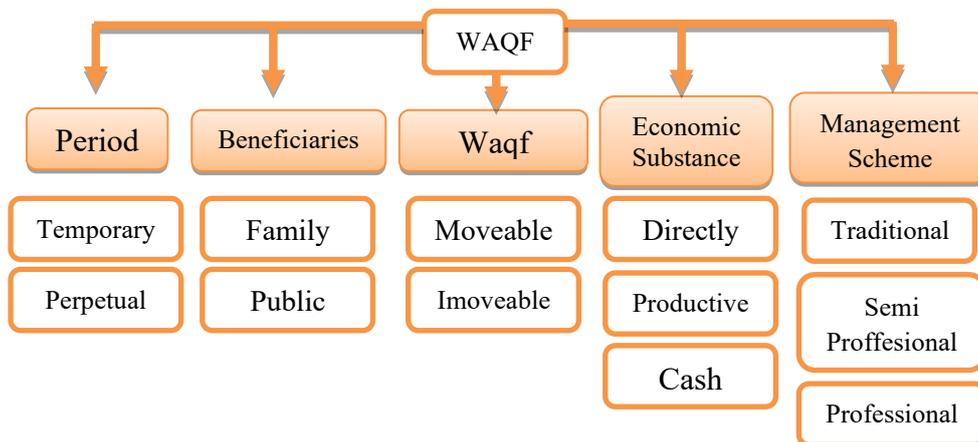
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- 1) Imam al-Zuhri (124 H) the endowment of Dinar is permissible, by originating Dinar as the capital of venture of business later the profit generated by *Nazir* are distributed to *Mauquf 'alaih*.
- 2) *Mutaqaddimini*, from the scholars of Hanafi they allowed using Dinar and Dirham for waqf as exception, based upon *Istihsan bi-l'urf*, on the *atsar* of Abdullah bin Mas'ud RA: "What the Muslims deem to be good is good in the sight of Allah."
- 3) The views of several scholars of As-shafi'e, e.g., Abu Tsaur has narrated from Imam Shafi'e about the allowance of Dinar and Dirham Endowment (Money).

Seeing the several considerations on the previous, then, law No. 41, 2004 about endowment which accommodating the form of Waqf in case of Money (cash). In the article no 1 that Wakf is "a Wakif legal actions to separate and or turnover a portion of his property to be used forever or for a certain period in accordance with their interests for the purposes of worship and or public welfare according to sharia". With regard to the endowment of money, Article no 28 of the Waqf Law reads: "A Waqf can endow a movable object in the form of money through an Islamic financial institution appointed by the Minister".

Moreover, activities of waqf can be defined into at least five different categories based on its duration, beneficiaries, waqf's object, economic substance and management scheme.



Picture 1: Scheme of Waqf Classification  
(Source: Researchers Illustrator)

Waqf activities can be defined into few categories on certain perspectives. Based on its duration, temporary waqf has a duration and can be returned

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back to its Wakif after the due time, while perpetual has no limit and duration time and its contract lasts forever.

Based on its beneficiaries, family waqf addressed to certain person, especially Wakif's relates and public waqf belong to the public in general without mention any certain persons as beneficiaries.

Based on waqf's object, it is defined into two categories, immovable waqf, such as land, building, plants on land and kind of apartment unit while movable waqf, such as money, precious metal, securities, vehicles, books and rent right.

Based on economic substance, waqf activities can be divided into direct waqf which is directly managed to provide religious and social interest and services such as mosques, educational need, and hospitals, productive waqf which developed through investment in real sector to generate profit and its net profit will be used as funding sources for social activities, and cash waqf which money is endowed as waqf object or asset and become source of non-interest revolving fund for businesses.

Based on management scheme categories such as traditional, semiprofessional and professional waqf management. Traditional waqf managements marked by using waqf assets for religious and social activities. In other words, no commercial activities are running in this waqf management. Semiprofessional waqf management is marked by development of some commercial unit in the existing waqf asset. For example, in certain mosques there are some halls which is rented to generate profit from public through events. Professional waqf management is marked by waqf productively managed into profitable business exercised by professional Nazir, such as share waqf in Malaysia. On semi and professional waqf management, profit are generated from commercial activities becomes source of fund for religious and social activities (Rahmawati & Sukmana, 2017).

The development of waqf assets is a picture of productive waqf. Productive waqf is a transformation or a new form of natural waqf into professional waqf in aspect of management (Mubarok, 2008; Putri, 2015). To support the implementation and its application of the utilization and development of productive (Cash, land) waqf through the establishment of Badan Wakaf

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Indonesia (BWI), this board has an important, strategic and vital position in the empowerment of land endowed and optimizing of cash waqf productively also for the development of Nazhir in the institutions whose are existed to be more professional and trustworthy (Mubarok, 2008; Putri, 2015).

The implementation of cash waqf provides several significant advantages, particularly in modern contexts where asset ownership such as land and buildings are limited for many individuals. Unlike traditional forms of waqf that often require substantial property, cash waqf is more inclusive as it only requires small amounts of money, allowing wider community participation. This accessibility makes it a practical instrument for encouraging collective philanthropy, as even individuals with modest income can contribute and take part in generating social and economic benefits. Consequently, cash waqf can mobilize financial resources from diverse segments of society, making it a sustainable tool for socio-economic development (Saifuddin et al., 2014).

Beyond inclusivity, cash waqf also serves strategic functions for advancing social welfare and institutional sustainability. It creates larger pools of funds that can be used to develop waqf assets, provide business capital, and enhance community consumption. Furthermore, cash waqf supports educational institutions by providing reserve funds to address cash flow shortages, ensuring the continuity of their operations. Another notable benefit is the empowerment of Islamic institutions, as they become less dependent on government funding. This self-sufficiency fosters institutional independence, efficiency, and innovation, enabling them to serve society more effectively while remaining aligned with the spirit of *ṣadaqah jāriyah* as envisioned in Islamic economic principles.

### **The Potency of Cash Waqf**

Cash Waqf has an enormous potential to be developed in Indonesia when it is viewed in terms of economic, because with this Waqf mode, the reach of mobilization will be more prevalent evenly distributed among the people than compared to the traditional waqf models, namely in the form of physical assets that are usually carried out by relatively more capable families (Kasanah, 2019).

In the law of Board of waqf Indonesia No. 01, 2009 about Guidelines of management and development of moveable assets as object for waqf in the form of money, certificates can be provided to the Wakif who has endowed

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his money in minimum 1.000.000 IDR by including the origin of the money and the complete identity of a *waqif* (Rianto & Arif, 2012).

According to Nasution about cash waqf potential in Indonesia with the number of generous Muslim approximately up to more than 10 million people with the income per-capita approximately Rp. 500.000-Rp. 10.000.000, then the total fund that can be collected about Rp. 3 trillion per-year (Mustofa & Hasanah, 2006). Generally, if 2% of 256 trillion people are going to endow their money Rp. 1.000.000 at minimum the the fund can be collected about Rp. 5.12 trillion per-year.

Cash waqf in Indonesia at present in terms of infrastructure are completed and all that remains is the implementation, because everything has been arranged in detail in waqf legislation (Damanhuri, 2009). Director of Waqf Empowerment Directorate General of Muslim Community Advisory Sumuran Harahap stated that if Nazir in Indonesia is able to collect, manage and develop waqf, they work professionally and reliably, then waqf in Indonesia can become the economic locomotive of the people, nation and state Indonesia (Aziz, 2017).

### **Cash Waqf Management for Society Development**

The management and development of waqf assets can be carried out productively in various ways. Productive categories that can be done, among others: method of collection, investment, capital investment, production, partnership, trade, agribusiness, mining, industry, technology development, building construction, apartments, flats, supermarket, shops, offices, educational facilities, health facilities, businesses that are not contradictory with sharia. In terms of the management and development of waqf assets, a guarantor is needed, a sharia guarantor institution is needed (Law No. 41, 2004).

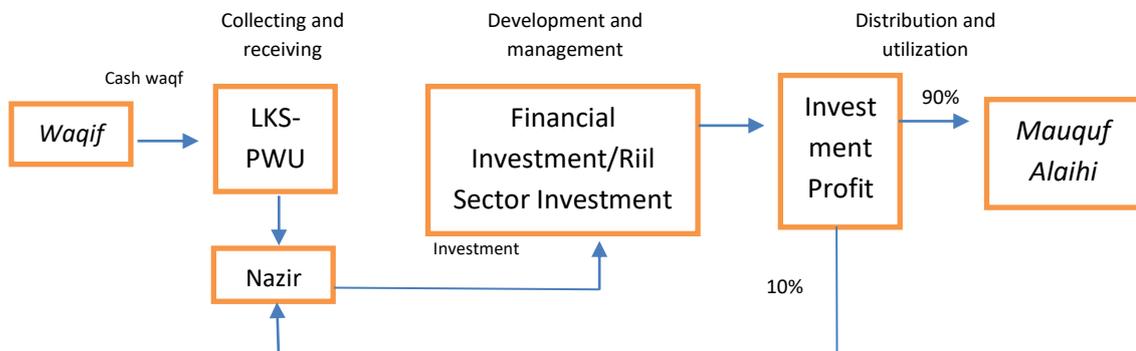
In the current modern management, waqf is integrated with the existing modern system, principally related to cash waqf which is voiced up in Indonesia. Based on regulation no. 41, 2004, receiving and management of cash waqf is linked to Islamic Finance Institution (LKS). In case of cash waqf, Wakif could not directly giving the money to the Nazir, but must be through LKS, that referred as Islamic Finance Institution Recipient of Cash Waqf (LKS-PWU) (BWI, 2019) (Kasdi, 2010).

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They are Islamic banks that appointed by BWI to be LKS as the cooperation to Nazir. Currently underway is Nazir’s cooperation with Islamic banking. This is reflected in the Minister of Religion Decree No. 92-96 of 2008 which appointed five Islamic banks to partner with Nazar in matters of waqf money. The five banks are Bank Muamalat Indonesia, Bank Syariah Mandiri, BNI Syariah, DKI Syariah and Bank Syariah Mega Indonesia. But it does not rule out the possibility that in the future the development of cash waqf can also be integrated with non-bank Islamic financial institution instruments (Kasdi, 2010).

The implementation of BWI task can cooperates with Government agencies both Central and Regional, community organizations, experts, international bodies, and other parties like Islamic Development Bank if deemed necessary. Judging from the duties and authority of BWI in this Law, it appears that BWI has the responsibility to develop the waqf in Indonesia, so that later the waqf can function as waqf needs. For those who are in BWI indeed people who are competent in their respective fields according to what is needed by the agency (BWI, 2019; Muntaqo, 2015).



Picture 2: Scheme of Cash Waqf Management

Source: Researcher Illustrator

The society empowerment and development program can be carried out with a membership system, this is in accordance with Law no. 41 of 2004 concerning endowments that have mandated the Indonesian Waqf Board to manage waqf property on a national and international scale. The main nature of the representation requires that the eternal and eternal principal of his property, then managed and the results distributed in accordance with the designation is very appropriate and in line with the social security system or insurance program. In the waqf, the waqf party can determine the allotment of

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the results of the management of the waqf property (*mauquf 'alaih*) (Kasdi, 2010).

In the provisions of the law there are two models of endowments of money, namely endowments for money for a certain period and endowments of money forever. Waqf for a certain period of time should be invested in banking products to be safer and make it easier for waqf to receive their money back when due. While endowments of money for eternity, Nazir parties have full authority to manage and develop endowments to achieve their endowments goals. If investment activities use waqf collection funds, then the net profit of the investment proceeds (i.e. gross income minus operating costs) will be distributed according to the provisions of the waqf law i.e. 90% of the profits will be allocated for waqf (*mauquf 'alaih*) purposes and 10% for Nazir (Kasdi, 2010).

### **Multipliers CWs for Sustainable Society Development**

The agenda of 2030 for Sustainable Development or known as Sustainable Development Goals (SDGs), is a call for globally human being to act and responsible to end poverty, inequalities, protect the environment and to ensure that all community cross the world can enjoy peace, justice and prosperity. They equality balance the role of economic, social and ecological dimensions of sustainable development, and fight against the inevitable poverty and sustainable development on the first time in the same agenda. The SDGs prospects consists of 17 goals and 169 targets, one of it is poverty alleviation and social development in once (UN,2018, (Asmalia et al., 2018).

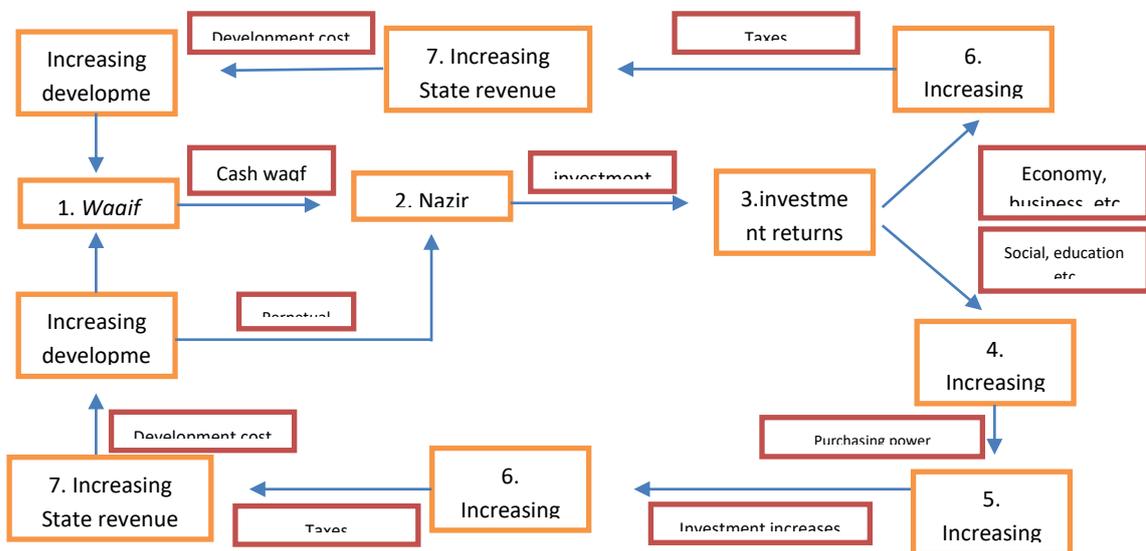
The terminology of empowerment and development is to help people until they are able to become independent in living their lives and in prospering themselves (Arif, 2012). In Muslim community life, Islam is importantly encourage human well-being and social justice establishment (Kasdi, 2010), due to justice is going to guide to the piety and it will lead to prosperity. The managers of waqf institutions in Indonesia must care about creating a just and prosperous society. Waqf institutions, especially those with a mass organization or legal entity base, can become an alternative sub-system in society that works hand in hand with other sub-systems of society in solving national problems (Rianto, 2012).

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Based on the surah Al-Baqarah verse 261, Based on the verse, it is described that the income spent in the way of Allah, including one of which is waqf, as an instrument in Islam as an instrument of community empowerment, has a multiplier effect in the economy. Where this is stated by a seed that grows seven heads and each ear a hundred seeds, in an economic practical level the multiplier effect of this verse is not only from the aspect of reward alone but has an economic impact (Munir, 2013; Rianto & Arif, 2012).

The mechanism of the cash waqf multiplier effect can be explained as follows, namely the cash waqf funds managed by Nazir to be invested give yields, where 10% is given to Nazirs as management fees and 90% of the proceeds are given to *mauquf 'alaih*. The investment returns allocated for *mauquf 'alaih* can be divided into two sectors, namely the economic sector and the non-economic sector such as social and education. The proceeds of cash waqf given to the economic sector are in the form of revolving funds. The additional capital assistance provided can be used to increase production capacity, so that the production of goods and services in the economy will increase. Increasing state revenue will increase development funds, this increase in development funds will return indirectly to an increase in Waqif income.



Picture 3: Effect of Cash Waqf Management in Socio-Economy Development  
 Source: Researcher Illustrator

Meanwhile, the investment returns for cash waqf allocated to non-economic sectors for both the social and education sectors are consumptive

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assistance to *mauquf 'alaih*. The consumptive assistance provided means that it will increase the purchasing power of the receiving community. The increase in consumer purchasing power has implications for an increase in the amount of public consumption directly, because currently people have a higher income to spend. An increase in the quantity of goods demanded by consumers will directly shift aggregate demand in the economy. Respondents responded positively to the increase in aggregate demand by increasing production capacity, so that this means increased investment. Increasing production capacity will be able to increase state revenue, one of which is revenue in the form of taxes. The increase in state revenue, the more the state development funds will increase. This will have an indirect effect on the increase in waqif income, so it can be seen that money waqf is able to have an effect that can directly increase waqif income as well as the indirect effect stimulated by mechanisms in the economy.

Based on the above mechanism, it can be seen that cash waqf has a significant multiplier effect in the economy. This will directly and indirectly be a significant influence in society development programs. The greater of cash waqf can be managed, the greater influence of itself in the economy, especially in society development.

## CONCLUSIONS

Indonesia has a large potential of waqf especially in term of cash waqf. If the Muslim community with their generosity wish to collect the minimum money, they, have it can be an enough fund for society development. The waqf system can be used as a possible alternative in realizing social security, this is in line with the passing of Law no. 41 of 2004 concerning waqf, which has mandated the Indonesian Waqf Board to manage assets on a national and international scale. Basically, waqf requires that the principal of the property be eternal and eternal, so that it is managed and the results are allocated for social security programs including for community empowerment. The results of the management of waqf funds can be earmarked for community empowerment such as educational, health, social or economic empowerment. Managed cash waqf can have a multiplier effect in the economy, both the investment returns of the cash waqf are provided in the form of assistance from the economic sector and the non-economic sector. These results will directly and indirectly have a significant effect in society development.

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